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displeasure at haphazard planning by Indian officials. He guarded "B and K" again in June 1957 when they visited Finland, and accompanied Khrushchev to Budapest in April 1958.

The support given by Serov to Khrushchev during two trials of strength appear to have made Serov's position secure for the time being. During the expulsion of the "anti-Party" group of Malenkov, Molotov, Kaganovich, and Shepilov in July 1957, Serov is reported to have stood by Khrushchev, supporting him in debate within the Central Committee. Later, in October, Serov played a leading role in the ouster of Marshal Zhukov. It is reported that earlier Zhukov had recommended Serov's removal as chairman of KGB. In view of the friction supposed to have existed between them as far back as their service in Berlin, the story that Serov, resenting the curtailment of police controls in the Armed Forces and Zhukov's increasing prestige, in turn recommended to Khrushchev that Zhukov be dismissed appears to have some plausibility.

During his career, Serov has received the usual honors accorded a successful Soviet official. In the recent period these have included promotion to full General (August 1955), thus making him senior police officer in military rank, a fourth Order of Lenin on his 50th birthday (November 1955), and election as full member of the CPSU Central Committee at the 20th Party Congress (February 1956). In addition, he has held many elective offices, including those of deputy to the Supreme Soviets of the USSR (1946 and 1958) and RSFSR (1955), and the Moscow City Soviet (1954). In his capacity as legislator, Serov was reported in May 1957 to be participating in work on the draft of a new law entitled "Basic Legislative Principles of the Judicial System of the USSR."

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September 26, 1958

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Executive Registry

-10- 7094

MEMORANDUM FOR: The Under Secretary of State

SUBJECT: Finland's Economic Situation

1. I am aware that you are thoroughly familiar with the background of Finland's present economic difficulties, which have been high-lighted by the recent visit to Washington of the Director of the Bank of Finland to attempt to negotiate a \$30,000,000 loan. The current CIA estimate of the seriousness of this situation might be of assistance to you in determining the U. S. Government's policy with regard to this request.

2. You, of course, are as familiar as we with the intensification of Soviet economic pressure on Finland, which culminated during President Kekkonen's recent visit to Moscow in the Soviet offer of a 500,000,000 ruble loan. A key element in the Finn's increasingly desperate efforts to preserve their economic stability is of course their ability to acquire investment capital from abroad. The great majority of the Finns are naturally very reluctant to accept large scale assistance from the Soviets, since they realize that to do so is to place themselves increasingly under the control of the USSR economically -- and, ultimately, politically. The only apparent alternative is to get this assistance from the United States. In our view, failure to receive economic assistance at this moment of crisis in Finland's post-war economic affairs, might well be a decisive factor in an unfavorable turn for Finland's future economic and political development.

3. I fully appreciate the severe problems that have been created for the Department by the recent curtailment of funds available for foreign assistance, at the same time that there is mounting competition from all over the world for the remaining funds available. Nonetheless, it is our view that there are few cases where the timely application of American economic assistance would have more clear-cut prospects of over-all benefit to a friendly government, the continued welfare and independence of which is of high interest to and of direct relation to the security of the United States.

F.R. Carr

4. I take the liberty of expressing these thoughts to you because it appears that an intelligence assessment of the implications of the current economic crisis in Finland will inevitably form one part of the picture which you must view in arriving at a decision on this matter.

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U. P. CASSELL
General, USAF
Acting Director

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Executive Registry

10-7074

MEMORANDUM FOR: The Under Secretary of State

SUBJECT: Finland's Economic Situation

1. I am aware that you are thoroughly familiar with the background of Finland's present economic difficulties, which have been high-lighted by the recent visit to Washington of the Director of the Bank of Finland to attempt to negotiate a \$30,000,000 loan. The current CIA estimate of the seriousness of this situation might be of assistance to you in determining the U. S. Government's policy with regard to this request.

2. In our view, the failure of the U. S. Government to respond to this Finnish request, at this moment of crisis in Finland's post-war economic affairs, might well be a decisive factor in an unfavorable turn for Finland's future economic and political development. You, of course, are as familiar as we with the intensification of Soviet economic pressure on Finland, which culminated during President Kekkonen's recent visit to Moscow in the Soviet offer of a 500,000,000 ruble loan. A key element in the Finns' increasingly desperate efforts to preserve their economic stability is of course their ability to acquire investment capital from abroad. The great majority of the Finns are naturally very reluctant to accept large scale assistance from the Soviets, since they realize that to do so is to place themselves increasingly under the control of the USSR economically -- and, ultimately, politically. The only apparent alternative is to get this assistance from the United States.

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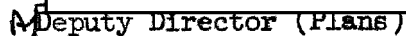
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C. P. CABELL
General, USAF
Acting Director

cc: DDCI

Signature Recommended:

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25X1  Deputy Director (Plans)

10 SEP 1958

Date

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